

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 528 – HB 542

April 8, 2015

SUMMARY OF ORIGINAL BILL: Authorizes any Tennessee resident who has been residing outside of the United States due to employment to ship any wine purchased while residing outside the U.S. to this state.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$63,200/FY15-16/ABC Fund
\$1,900/FY15-16/General Fund
\$25,000/FY16-17 and Subsequent Years/ABC Fund
\$700/FY16-17 and Subsequent Years/General Fund

Increase Local Revenue – \$400/FY15-16
\$200/FY16-17 and Subsequent Years

SUMMARY OF AMENDMENTS (005047, 006028, 006095): Amendment 005047 deletes all language after the enacting clause except for the effective date provision. Authorizes The Winery at Belle Meade Plantation to serve samples of certain alcoholic beverages, with or without charge, sell bottles of certain alcoholic beverages, and sell merchandise promoting the brands of the specified manufacturer at the retail store operated by the winery. Amendment 006028 authorizes any entity that is authorized by the Department of Environment and Conservation to operate a restaurant or other food and beverage service on the premises of a state park to sell alcoholic beverages for on-premises consumption, as a premier type tourist resort. Amendment 006095 exempts persons whose physical appearance reasonably demonstrates an age of 50 years or older from being required to present to a retailer of alcoholic beverages a valid, government-issued document, prior to purchase of such beverages.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue – Exceeds \$1,500/One-Time/ABC Fund
Exceeds \$10,000/Recurring/ABC Fund
Exceeds \$78,400/Recurring/General Fund

Increase Local Revenue – Exceeds \$56,400/Recurring/Permissive

Assumptions for the bill as amended:

- The Department of Revenue reports that current liquor-by-the-drink tax collections from the sale of wine as samples for tasting, with or without charge, for consumption on the premises at a winery, or at retail in sealed containers for consumption on such premises are equal to zero.
- Therefore, it is estimated that the proposed legislation as amended will not result in a significant increase in state or local revenue from wineries. Any increase in sales tax revenue for state and local sales taxes imposed on the manufacturer's merchandise promoting the brands of the manufacturer are estimated to be not significant.
- There are 56 state parks in Tennessee. At least five restaurant or other food and beverage service establishments will be licensed to sell alcoholic beverages for on-premises consumption, as premier type tourist resorts as a result of this bill as amended.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC). The total one-time increase in state revenue to the ABC Fund is estimated to exceed \$1,500 (5 x \$300); the total recurring increase in state revenue to the ABC Fund is estimated to exceed \$10,000 (5 x \$2,000).
- Any increase in local government revenue from local privilege tax collections is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- Based on the interquartile average of 2013 LBD tax returns generated by the Department of Revenue and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$110,000 per year.
- Absent any specific detail data on the size of these venues, an estimate of any additional revenue can only be reasonably generated by applying the average taxable base (\$110,000).
- The recurring increase in state revenue to the General Fund is estimated to be \$15,671 $[(\$110,000 \times 7.0\%) - (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$ per each establishment, for a total of \$78,355 (5 x \$15,671).
- The recurring increase in local revenue is estimated to be \$11,278 $[(\$110,000 \times 2.5\%) + (\$110,000 \times 7.0\% \times 3.617\%) + (\$110,000 \times 15.0\% \times 50.0\%)]$ per each establishment, for a total of \$56,390 (5 x \$11,278).
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- No additional personnel or resources will be required by the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly legible.

Jeffrey L. Spalding, Executive Director

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